



National Environmental Performance Partnership System

FY 2008-2011

National Guidance

**Office of Congressional and Intergovernmental Relations
Office of the Administrator**

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**National Environmental Performance Partnership System
FY 2008-2011 National Program Guidance
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EXECUTIVE SUMMARY

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Office of Congressional and Intergovernmental Relations (OCIR)
FY 2008-2011 Guidance for National Environmental Performance Partnership System (NEPPS)

II. Introduction/Context

Performance partnerships – through which EPA and states set priorities and design strategies together – are integral to planning and implementing our national environmental programs. To advance the joint planning that is central to performance partnerships, the Office of Congressional and Intergovernmental Relations (OCIR) is issuing this guidance in conjunction with the Agency-wide process for production and review of national program guidance through the Office of the Chief Financial Officer.

This guidance sets out the goal and objectives for the performance partnership program for FY 2008-2011.

III. Program Priorities

GOAL: *EPA and states implement performance-based partnerships that focus resources on agreed-upon environmental priorities, take advantage of the unique capacities of each partner, and measure performance based on the results that are achieved.*

For FY 2008-2011, the performance partnership effort will focus on:

- Strengthening joint strategic planning,
- Maximizing the value of Performance Partnership Grants, and Performance Partnership Agreements or comparable state-EPA agreements,
- Improving state reporting and performance measures,
- Addressing issues that impede progress in building state-EPA partnerships, and
- Setting the future direction for performance partnerships.

Objective 1: Conduct joint strategic planning and reflect the results in Performance Partnership Agreements (or comparable state-EPA agreements) and in state grant work plans.

Strategies:

- Encourage leaders of state environmental, public health, and agriculture agencies to engage with EPA in joint planning and priority setting and ensure that state priorities are fully considered in the Agency's planning and budgeting processes.

- Work with the states to reflect the results of joint strategic planning in Performance Partnership Agreements (PPAs) (and comparable state-EPA agreements) as well as in Performance Partnership Grants (PPGs) and other state grant work plans.

Objective 2: Make effective use of Performance Partnership Grants to maximize resources, direct resources to jointly developed priorities, and fund cross-media and innovative approaches to achieving environmental goals.

Strategies:

- Implement the Maximizing PPGs Initiative and develop lessons learned to help interested states take greater advantage of the flexibility and other features of PPGs.
- Work with states to incorporate cross-media and innovative approaches to environmental protection in PPAs and PPGs.

Objective 3: Advance partnership principles through effective collaboration with states on policy and implementation issues.

Strategies:

- Raise and resolve broad policy and implementation issues related to performance partnerships through appropriate mechanisms, elevating issues to the Deputy Administrator for resolution if necessary.
- Advance relationships based on the NEPPS principles through joint state-EPA work groups, the Environmental Council of the States, and other state organizations.

Objective 4: Focus state reporting on information needed to set goals and objectives, measure progress in achieving them, and ensure accountability.

Strategies:

- Adopt and communicate changes to reporting that states identified as burdensome and of limited value, ensure the adopted changes are implemented broadly, and continue to work on identified areas where senior leadership is needed.
- Strengthen accountability for meeting performance goals through more standardized approaches to measures and grant work plans in accord with guidance from the Office of Management and Budget.
- Continue improving performance measures for planning, managing, and measuring the success of environmental programs.

Objective 5: Implement policies, procedures, and requirements for state grants that accommodate state needs for flexibility and minimize administrative burden while ensuring fiscal and programmatic accountability.

Strategies:

- Continue implementing requirements for state grants, including Performance Partnership Grants, under Part 35.
- Make the policy, administrative, and procedural changes needed to ensure that state grants are awarded in a timely manner.

Objective 6: Set the future direction for performance partnerships.

Strategies:

- Collaborate with states to set future directions for performance partnerships based on progress made during the first decade, identified challenges and opportunities for improvement, and consideration of changing conditions.

IV. Implementation Strategies

Strategic planning, based on an understanding of environmental conditions and program needs, is the underpinning for effective EPA-state partnerships. Changes to EPA's planning and budgeting processes over the past several years have helped to ensure greater state influence in the development of national and regional priorities and plans, and the results of joint planning are often reflected in PPAs, PPGs, and other state-EPA partnership agreements. Building on these improvements, opportunities exist for greater efforts in joint priority setting, increased scope of PPAs and PPGs including cross-cutting and programmatic funding flexibility, and greater streamlining and reform of oversight and other efforts as identified in the April 2007 National Academy of Public Administration (NAPA) report.

Efforts to strengthen joint planning and priority setting will continue in FY 2008-2011. The focus will be on helping EPA and state managers understand and take advantage of joint planning opportunities and develop partnership agreements and grant work plans that truly reflect mutual consideration of each other's needs and priorities.

While many states have taken advantage of the flexibility available through PPAs and PPGs, these tools offer greater potential for leveraging resources to achieve environmental results. A major emphasis in FY 2008 was implementing a Maximizing PPGs initiative in which participating states expanded how they use PPGs. In FY 2009

lessons learned from this initiative will be turned into policy and procedural changes needed to enhance the value of PPGs to conserve resources, direct resources to priority needs, and fund cross-media and innovative approaches to achieving environmental goals.

Another priority effort in FY 2009 and beyond will be continuing efforts to reduce state reporting burden, based on the suggestions states made in 2006 for reports that should be candidates for changes or elimination. In accord with guidance from the Office of Management and Budget, EPA and states will also refine the State Grant Performance Measures Template to ensure that state grant work plans are consistent with the Agency's strategic and annual planning, budgeting, and accountability processes, and consider options for a more standardized approach to state grant work plans.

Considerable progress has been made toward the goals set out for performance partnerships a decade ago. Many of the building blocks needed to build performance partnerships are now in place, and our objectives for FY 2008-2011 mark the beginning of a new phase in implementing performance partnerships. To ensure continued progress, EPA will continue collaborating with states to set the future direction for our work in building performance partnerships.

From the outset, the design and implementation of performance partnerships has been a collaborative effort between EPA and states. That collaborative conservation approach will continue at the national level, using the various state-EPA mechanisms in place for identifying and resolving issues. The joint ECOS-EPA Partnership and Performance Workgroup (P&P Workgroup), comprised of EPA leaders and state officials drawn from the membership of the Environmental Council of the States, is the principal mechanism for raising and resolving partnership issues. The P&P Workgroup provides guidance to the State Grants Subgroup, which addresses issues associated with states grants. Collaborative conservation principles will also guide development of performance partnerships between EPA regions and individual states.

V. Tracking Progress

Progress toward meeting the FY 2008-2011 objectives will be monitored in several ways.

- On an ongoing basis, the P&P Workgroup will assess progress on issues associated with performance partnerships.
- Periodically, OCIR will collect information from EPA offices on their progress in reducing state reporting burden, including status of changes, and efforts to address recommendations needing senior leadership discussion.
- At least biannually, OCIR will collect information from the regions about the scope and contents of PPAs and PPGs.

VI. Program Contacts

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National Environmental Performance Partnership System FY 2008-2011 National Guidance

EPA and states share responsibility for protecting public health and the environment. Since 1995, EPA and states have been implementing the National Environmental Performance Partnership System (NEPPS), an environmental performance system designed to improve the efficiency and effectiveness of state-EPA partnerships.

Several fundamental concepts underlie NEPPS. Goals, priorities, and strategies should be based on information about environmental conditions, including consideration of local conditions and respecting the need for a "level playing field" across the country. Performance should be evaluated based on results that are achieved in the environment. By taking full advantage of the unique capacities of EPA and states and leveraging our collective resources most efficiently and effectively, we can achieve the greatest results.

Performance partnerships – in which EPA and states set priorities, design strategies, and negotiate grant agreements together – are integral to the planning and implementation of our national environmental programs. To advance the joint planning that is central to performance partnerships, the Office of Congressional and Intergovernmental Relations (OCIR) is issuing this guidance in conjunction with the Agency-wide process for production and review of national program guidance through the Office of the Chief Financial Officer (OCFO).

This guidance³ sets out an overarching goal for performance partnerships as well as objectives and strategies for FY 2008-2011.

Overview of Performance Partnerships

In 1995, when EPA and state leaders agreed to build the National Environmental Performance Partnership System (NEPPS),⁴ they envisioned a performance-based system of environmental protection. By focusing EPA and state resources on the most pressing environmental problems and taking advantage of the unique capacities of each partner, performance partnerships would help achieve the greatest environmental and human health protection.

The performance partnership system includes the following elements:

- **Joint strategic planning** based on an understanding of environmental conditions and program performance;

³ This guidance is a compilation of existing policies and initiatives. It does not impose any legally binding requirements.

⁴ See *Joint Commitment to Reform Oversight and Create a National Environmental Performance Partnership System*, at http://www.epa.gov/ocir/nepps/policies_guidance.htm.

- **Resources directed to priorities** through flexible funding and work sharing arrangements;
- **Performance measures and environmental indicators** for managing programs and measuring results;
- **Innovative strategies** to augment traditional solutions to environmental problems;
- **Effective oversight** and assistance tailored to state performance and needs; and
- **Public understanding of environmental conditions** and engagement in protection efforts.

Tools for Implementing Performance Partnerships

The most common way that EPA and states implement performance partnerships is by negotiating **Performance Partnership Agreements (PPAs)**. These agreements typically set out jointly-developed priorities and protection strategies and how EPA and the state will work together to address priority needs. More than half of the state environmental agencies now negotiate PPAs, and the remaining states reflect the results of their joint planning in other state-EPA agreements.

By choosing to combine two or more individual environmental program grants in a **Performance Partnership Grant (PPG)**, states can gain greater flexibility in how they use and manage the funds they receive from EPA. In addition to streamlining administrative requirements, PPGs allow states to direct resources where they are needed most, implement strategies that cut across program boundaries, or try other innovative solutions to environmental problems. More than two-thirds of the state environmental agencies and more than half of the state agriculture agencies now combine two or more grants in PPGs.

While most states use one or more of the tools for performance partnerships, none of the PPAs or PPGs are comprehensive. Nationally, about half of the major EPA programs are not covered by PPAs. About two-thirds of the funds EPA provides to states are ineligible for PPGs; of the funds that are PPG-eligible, about half actually are included in PPGs. The results of joint EPA-state strategic planning for these remaining programs and grants are reflected in categorical grant documents and/or other EPA-state agreements.

Progress in Building the Performance Partnership System

After a decade of progress, the building blocks for the performance partnership system are in place and we are poised to make the vision of performance partnerships a reality. When we began, there were limited opportunities for states to influence EPA goals and priorities and the annual performance commitments states would be expected to meet. Today, EPA's planning process has been substantially reformed. All of EPA's national NEPPS National Guidance FY 2008-2011, Feb. 2008

program guidance is issued at the same time, allowing for comprehensive planning. EPA's national priorities reflect consideration of regional and state priorities; states have an opportunity to see and negotiate changes in proposed annual performance commitments affecting them. Most states now negotiate Performance Partnership Agreements (PPAs) or comparable agreements as part of their joint planning efforts.

A decade ago, states had limited flexibility to address alternative state priorities or approaches. Categorical grant funds could be used only for a defined set of activities and it was difficult to fund cross-cutting projects. Now, joint planning and priority setting provides opportunities for states to propose alternative priorities, strategies, and approaches to achieving environmental goals. The completely revised Part 35 grant rule provides for a range of flexibility in how state grant funds can be used; states gain the greatest flexibility if they combine funds in PPGs.

When NEPPS was launched in 1995, the critical nature of the state role in developing and testing innovative approaches to environmental protection was not fully understood, and it was unclear how states could get EPA approval to test new approaches. Currently, EPA's Office of Policy, Economics and Innovation (OPEI) and an Innovations Action Council -- comprised of EPA and state leaders -- champion innovations by promoting, testing, and expanding the use of successful innovations. EPA and states now implement a portfolio of innovations, and EPA supports state innovations through policy, information-sharing, and technical assistance as well as by providing several million dollars in grants funding.

A central element of performance partnerships is increasing the use of outcome measures to assess progress in improving environmental and human health conditions and understanding how well protection efforts are working. When performance partnerships began, EPA and states relied almost entirely on output (or activity) measures, but the relative percentage of outcome measures has increased steadily since then. The state-EPA effort to develop and use Core Performance Measures (CPM) set the stage for ongoing efforts to improve measures and environmental indicators that continue today. Implementation of the Government Performance and Results Act, the Office of Management and Budget's (OMB) Performance Assessment Rating Tool, and reforms made to EPA's own accountability system, all focusing on results, have bolstered efforts to improve performance measures. In response to guidance from OMB, EPA and states collaborated to develop a State Grant Performance Measures Template that provides a consistent way to report the results of state grants. On a related track, EPA and states are working to streamline state reporting requirements, seeking to reduce or eliminate reporting that is burdensome and of limited value. Further, to make it easier to exchange information electronically, EPA and states are building a National Environmental Information Exchange Network.

Developing a more effective EPA oversight of state programs is another key aspect of performance partnerships, employing the concept of tailoring the amount and type of EPA oversight based on a state's performance and needs. The tailored approach would help address duplication of effort and inappropriate EPA intervention in state actions,

while ensuring a level playing field. At the national level, the State Review Framework now provides a tool for consistent assessment of state compliance and enforcement programs. Similarly, the Office of Water's Permitting for Environmental Results provides criteria and infrastructure for consistent reviews of state water permit programs. In addition to reform efforts at the national level, some EPA regions and states have worked out better oversight arrangements.

With performance partnerships, EPA and states set out to increase public understanding of and engagement in environmental protection efforts. EPA and states have a long history of educating and engaging the public, such as through comparative risk projects and strategic planning efforts; opportunities for citizen involvement continue to grow. There is an ever-increasing amount of environmental information readily accessible via the Internet and there is greater transparency about government actions; this provides the public with more ways to learn about and influence protection efforts. Public understanding of environmental progress and remaining challenges was strengthened with EPA's publication in 2003 of the first draft national *Report on the Environment*; many states publish similar reports. The states and EPA may also be able to use these reports to proactively inform strategic planning efforts.

After a decade of progress, EPA and states are now poised to make the vision of performance partnerships a reality. As this brief summary indicates, building the performance partnership system has involved changes and actions affecting virtually every EPA interaction with states. Since states are critical to achieving national environmental goals, the national program manager guidance for each program incorporates work to strengthen EPA-state partnerships.

While we have made considerable progress in many areas, opportunities remain for EPA to continue to improve response to state input and to share how input has resulted in changes. To take advantage of the progress made and to reflect the conditions that have changed in the past decade, EPA will embark on a collaborative effort with states to set the future direction for performance partnership.

Performance Partnerships: Goal and Objectives for FY 2008-2011

The goal -- and vision -- for performance partnerships follows:

EPA and states implement performance-based partnerships that focus resources on agreed-upon environmental priorities, take advantage of the unique capacities of each partner, and measure performance based on the results that are achieved.

This performance partnerships guidance focuses specifically on the policy and implementation work to be undertaken in FY 2008-2011 to advance the National Environmental Performance Partnership System. Guidance from EPA's other national programs addresses program-specific efforts that support performance partnerships.

For FY2008-2011, the focus of the performance partnership program will be on improving joint planning and priority setting, enhancing the value of performance partnership tools, fostering use of innovative approaches to environmental protection, and addressing barriers that impede state-EPA partnerships. Another key effort during this period will be setting the future direction for performance partnerships.

Objective 1: Conduct joint strategic planning and reflect the results in Performance Partnership Agreements (or comparable state-EPA agreements) and in state grant work plans.

Strategies:

- Encourage leaders of state environmental, public health, and agriculture agencies to engage with EPA in joint planning and priority setting and ensure that state priorities are fully considered in the Agency's planning and budgeting processes.
- Work with the states to reflect the results of joint strategic planning in Performance Partnership Agreements (PPAs) (and comparable state-EPA agreements) as well as in Performance Partnership Grants (PPGs) and other state grant work plans.

Joint Planning and Priority Setting

The performance partnership system is designed to help focus limited EPA and state resources on priority environmental needs, taking into account that an individual state's priorities may be different from priorities at the national or regional levels. To do this, EPA and states engage in joint planning and priority setting so that both parties' priorities are known and considered when making decisions of mutual importance. Ideally, joint planning is based on an understanding of environmental conditions and program implementation needs.

In recent years, EPA has made significant changes to its annual planning and budgeting processes to expand opportunities for regions, states, and tribes to participate both early and throughout the processes. For example, the National Program Manager (NPM) guidance is built in part on priorities and needs submitted by EPA regions and states, and all NPM guidance is now issued concurrently so that proposed priorities, strategies, and performance measures can be considered for all programs at the same time. An online system for setting Annual Performance Commitments allows states and tribes to review and comment on draft commitments, offering an unprecedented level of transparency and collaboration and increasing opportunities to align national, regional, state, and tribal priorities. The results of joint planning should be reflected in PPAs (or comparable state-EPA agreements) as well as in work plans for PPGs and other state grants.

An explanation of the current joint planning process can be found on the Improving Planning and Priority Setting web page of the Office of the Chief Financial Officer

(OCFO).⁵

Improving the Value of Performance Partnership Agreements

A fundamental concept underlying performance partnerships is that each state is different, and that each EPA-state partnership negotiation must take into account the particular capacities, needs, and interests of that state. No single approach is appropriate for every state. Each state and EPA region must decide together what mechanisms and approaches are most appropriate for building their own partnership.

This purposely flexible approach has led to many variations in the scope, content, and format of PPAs. Individual PPAs can range from general statements about how the state and EPA will work together as partners (perhaps identifying joint priorities that will be addressed) to comprehensive, multi-program documents that detail each party's roles and responsibilities. Some PPAs meet relevant statutory and regulatory requirements and also serve as the work plans for PPGs and/or other grants. And while some states have not negotiated formal PPAs, many have nonetheless participated in joint planning and priority setting and other performance partnership-related activities with their respective EPA regional offices, and the results are articulated in grant work plans or other agreements.

• *Essential Elements of PPAs*

There is no comprehensive list of PPA elements. The most effective PPAs, however, contain several key elements, as set out by a joint EPA-state work group⁶ in 2004. These recommended “essential elements” are:

- A description of environmental conditions, priorities, and strategies;
- Performance measures for evaluating environmental progress;
- A process for joint evaluation on the how well the PPA is working and an agreement to implement any needed improvements that are identified;
- A description of the structure/process for mutual accountability, including a clear definition of roles of each party in carrying out the PPA and an overview of how resources will be deployed to accomplish the work; and
- A description of how the priorities in the PPA align with those in the EPA Regional Plan, EPA Strategic Plan, and/or the state's own strategic (or other related) plan.

⁵ Available at: <http://www.epa.gov/ocfo/opaa/index.htm>

⁶ State-EPA Planning Alignment/PPA Work Group, now the Partnership and Performance Work Group

In keeping with the flexibility inherent in the NEPPS process, these elements are not required and individual agreements may vary. Incorporating each of these elements still allows for a wide range of PPAs. The topics may be covered at different levels of detail depending on what is appropriate for a particular state. There is also room for variation in content (e.g., PPAs that cover all programs or just a few programs), as well as in organizational structure and format.

Ideally, the PPA should reflect the results of joint planning between EPA and the state and explain the strategic thinking behind the work it encompasses. The PPA should also define the roles and responsibilities of each partner and assure accountability by explaining how progress will be measured by both parties. With these elements, the PPA can become the unifying agreement that sets out the relationship between EPA and the state and how they expect to work together to implement the strategies for achieving the goals and objectives in the agreement and make progress toward environmental results.

The most effective PPAs have an underpinning of strategic thinking that is based on an understanding of environmental conditions and program needs. A state does not need its own strategic plan as a prerequisite for successful participation in joint planning and priority setting with EPA. However, joint planning will be more productive, and ultimately more successful, if both parties have done some degree of strategic thinking in advance and come to the table prepared with their well-developed strategic ideas. Entering into joint planning armed with the results of strategic thinking will help make sound arguments for resources; support requests for flexibility, such as requests to focus on some priorities but not others; and determine appropriate roles and responsibilities of each partner.

- ***Advancing Innovative and Cross-Media Approaches***

There is growing recognition among EPA and state program managers that regulatory innovations and cross-media approaches can deliver increased environmental benefits through reduced administrative costs and better alignment of program resources to meet pressing environmental needs. EPA and states are encouraged to discuss innovative and multi-media approaches during joint planning sessions, incorporate them into new and revised PPAs, and support them through PPGs and other state grants. These initiatives also provide opportunities for state and federal government, as well as the regulated community, to target financial and human resources more strategically to produce better overall environmental results.

The PPA negotiation process presents an excellent opportunity for discussing and defining how EPA and a state will work together on innovative or cross-media projects. PPGs (and other state grants) may be leveraged to help support such initiatives. Because they are a high priority for EPA and some states, increasing collaboration and coordination between state performance-based environmental initiatives and corresponding federal programs such as Performance Track, for instance may be especially useful. The PPA negotiations also offer a prime opportunity for discussing the

state's participation in the National Environmental Information Exchange Network⁷, a secure, Internet- and standards-based way to support electronic data reporting, sharing, and integration of both regulatory and non-regulatory environmental data. States are encouraged to use the Central Data Exchange (CDX) as the standard way they exchange data and phase out any legacy methods they have been using. Regions are encouraged to support efforts to do so, and should not seek duplicative reporting through other means.

The PPA can also address relationships between EPA and state voluntary programs and pollution prevention efforts. Discussions might also explore ways to strengthen state capacity for developing and implementing innovative programs and the development of performance-based program measures or metrics that can be used to complement or replace traditional activity measures.

- ***Other Considerations in Developing PPAs***

Performance Measures. Ever since NEPPS was created, EPA and states have been working continuously on multiple fronts to improve how we measure the success of environmental protection efforts as well as to improve the data management systems used to report and analyze environmental and program information. Despite significant progress, there are still many opportunities for improvement. Consequently, perhaps the most challenging of the tasks in negotiating PPAs is developing an appropriate, balanced set of outcome and output measures that will allow for flexibility while ensuring accountability. Care should also be taken to minimize the reporting burden.

Each EPA national program office is working with regions and states to develop the measures and the information they need to manage programs nationally and to be able to report on progress. The NPM guidance for each program should guide the regions in negotiating appropriate measures for the PPA and grant agreements. Generally, though, PPAs that are broad, strategic documents are likely to focus more on intermediate and long-term outcomes linked to environmental goals and objectives. Implementing these PPAs would typically be supported by more detailed PPG and/or other grant work plans that include shorter-term output measures for activities or work efforts, linked to environmental goals and objectives that would be undertaken with grant funds. PPAs that also serve as grant work plans would contain similar detail. Beginning in FY 2006, the measures for grants are incorporated in the State Grant Performance Measures Framework (see page 25).

PPA Changes and Renewals. The EPA regional administrators and state commissioners are the decision-makers for PPAs; disagreements among staffs should be raised and resolved at that level. Affected national program managers should be involved if a dispute concerns issues of national policy. Both EPA and states should consider the PPA as voluntarily binding. However, the PPA can be re-opened and changed if both EPA and the state agree to do so; a formal re-opener clause can be included in the PPA if both parties think one is needed. Whenever possible, changes should be reserved for mid-

⁷ For more information about the National Environmental Information Exchange Network, see www.exchangenetwork.net.

course reviews or when a PPA is being renewed.

Multi-Year PPAs (and Grants). Some regions and states elect to negotiate multi-year PPAs that discuss priorities and strategies for two or more years. Although the intent is for such multi-year agreements to remain intact for the duration, they should be reviewed annually to ensure they reflect current needs, and amended if necessary. Although it is possible to negotiate multi-year grant work plans -- either as an integral part of, or in support of, the PPA -- PPGs and other grants are subject to the annual reporting and evaluation requirements that apply to all federal grants. While a multi-year work plan can reduce transaction costs by setting out the framework and plans for the goals, objectives, and work to be accomplished over time, specific commitments should be negotiated annually to reflect the amount of funding that is available.

PPAs and Legal Requirements. PPAs are voluntary agreements and cannot “trump” legal requirements such as delegation agreements. However, PPAs can articulate how each partner will fulfill the requirements under delegation agreements or similar legal documents. Should a state and region wish to review existing legally binding agreements, the PPA can be an appropriate vehicle for setting out how the review will be conducted, taking care to ensure compliance with any legal requirements for changing the legally binding agreement.

Joint Evaluation of Performance Partnerships

EPA and states share responsibility for building successful partnerships, working to make the best use of our collective resources to achieve environmental and program results. Defining the roles and responsibilities of each partner is integral to developing performance partnership and grant agreements, and successful implementation of these strategies and plans is dependent upon the partners carrying out their respective parts. Joint evaluation – in which EPA and state officials assess progress and remaining challenges together – facilitates mutual understanding of each other’s strengths and opportunities for improvement, and sets the stage for continuous improvements in how they work together.

A well-managed system for conducting joint evaluations is essential to resolving the tension between providing more flexibility to states through PPAs and PPGs and ensuring accountability for results. Joint evaluation also provides EPA with the information needed to demonstrate the results of the significant federal investment in state and tribal assistance grants and comply with the Government Performance and Results Act (GPRA). Joint evaluation also provides an opportunity for reviewing EPA’s progress in meeting its own commitments to the state, such as commitments to provide technical assistance, staff training, and analytic or legal support.

Important Note: Joint evaluation of performance partnerships takes place at several levels and in many ways. This section discusses evaluation of individual PPAs as well as general evaluation of NEPPS implementation at the national level. Evaluation of state grants, including PPGs, is subject to specific regulatory requirements under 40 CFR

- ***Evaluation of Individual Performance Partnership Agreements***

By design, there are no specific requirements for the performance partnership negotiation process or for the scope, contents, and structure of PPAs. This allows each EPA region and state to work out agreements that are appropriate to the needs and conditions of the state. Similarly, the process and contents for joint evaluation of individual state-EPA performance partnerships are not specified and can be designed to fit individual circumstances. At a minimum, EPA and the state are urged to reach agreement on how they will jointly evaluate their partnership, and ideally, outline their evaluation plans in the PPA. Taking stock periodically of the state-EPA partnership can be valuable for all states, however, even if they do not negotiate PPAs.

The elements of the performance partnership system (see Overview of Performance Partnerships, page 9) can be a good starting point for state-EPA discussion about what is working and where improvements are needed in the partnership. A discussion centered on the recommended elements of a PPA (see page 14) can help the EPA region and the state delve more deeply into their strategic planning efforts and how well they are working. Central to any evaluation is assessment of progress toward the goals and objectives set out in the PPA.

While there are no specific requirements for joint evaluation of PPAs that do not serve as grant work plans, there are joint evaluation requirements for grant agreements.⁸

- ***Evaluation of Performance Partnerships at the National Level***

The NEPPS framework includes a commitment to joint evaluation of the performance partnership system. At the national level, EPA and state officials have used a variety of mechanisms to review how well the performance partnership system is working and to identify needed policy or procedural improvements. For example, planning alignment and PPA reforms were evaluated in FY 2005, and the results helped set the agenda for additional improvements.⁹ The PPG-related issues raised by state and EPA participants in a series of workshops, such as the need to improve the timeliness of grant awards, are on the agenda for resolution by the EPA's Performance Partnership Steering Committee and the P&P Workgroup.

After a decade of implementation, it is now time to take a more comprehensive look at progress in building performance partnerships and set the direction for the future. In FY 2008-2011, EPA and states will embark on a collaborative effort to do so (see Objective 6, page 27).

⁸ See question 2-17 in *Best Practices Guide*, linked from Highlights box at <http://www.epa.gov/ocir/nepps>.

⁹For more about evaluation results, see the links from <http://www.epa.gov/ocfo/opaa/index.htm>.

Objective 2: *Make effective use of Performance Partnership Grants to maximize resources, direct resources to jointly developed priorities, and fund cross-media and innovative approaches to achieving environmental goals.*

Strategies:

- Implement the Maximizing PPGs initiative and develop lessons learned to help interested states take greater advantage of the flexibility and other features of PPGs.
- Work with states to incorporate cross-media and innovative approaches to environmental protection in PPAs and PPGs.

Purpose and Benefits of Performance Partnership Grants

In 1996, EPA asked Congress for new authority that would give states, interstate agencies, and tribes greater flexibility in how they use and manage federal grant funds. Congress responded by authorizing EPA to award Performance Partnership Grants (PPGs) in the Omnibus Consolidated Rescissions and Appropriations Act of 1996ⁱ and again in EPA's 1998 Appropriations Act.¹⁰ The EPA administrator has authorized states and interstate agencies to combine funds from up to 19 environmental program grants into a single grant. (See Appendix A for a list of grants eligible for inclusion in PPGs.)

The PPG program is designed to:

- Strengthen partnerships between EPA and state and interstate agencies through joint planning and priority setting and better deployment of resources;
- Provide state and interstate agencies with flexibility to direct resources where they are most needed to address environmental and public health priorities;
- Link program activities more effectively with environmental and public health goals and program outcomes; and
- Provide savings by streamlining administrative requirements.

PPGs are popular with states: nearly three-quarters of state environmental agencies and half of the state agriculture agencies receive some or all of their grants in PPGs. Most have taken advantage of the administrative savings and flexibility available in PPGs. There has been only modest use of the ability to shift funds from one program to another. However, many states have used PPGs to fund cross-cutting, innovative efforts such as data integration and reporting system projects, sector or geographic initiatives, compliance assistance programs, and pollution prevention projects.

¹⁰ Pub. L. 104-134, 110 Stat. 1321, 1321-299 (1996)
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The *Best Practices Guide for Performance Partnership Grants*¹¹ provides detailed information about the policies and regulations governing PPGs. Among the topics addressed are the purpose and goals of PPGs, the relationship between PPAs and PPGs, how the Part 35 regulations provide flexibility through PPGs and other state grants, accountability requirements for PPGs and state grants, activities eligible for funding under PPGs, and how the state match requirement is calculated for PPGs.

- ***Beneficial Uses of PPGs***

States already use PPGs in many beneficial ways. For instance, states use funds from one program area to address a budget shortfall in another, and meet cost-share requirements by using overmatch from one program to cover the match from another. Using PPG flexibility, states hire temporary personnel, fund emergency activities such as hurricane response, address permit backlogs, and support staff training and travel. They use PPGs to fund multi-media inspections and permitting, sector compliance/enforcement initiatives, and data system improvements such as participating in the National Environmental Data Exchange Network.¹²

Maximizing PPGs Initiative

In September 2006, EPA launched an initiative to maximize the use of PPGs as a tool to help conserve resources, direct resources to priority environmental needs, and fund multi-media and other innovative approaches to achieving environmental goals.

Most states had combined at least some grant funds in PPGs and benefitted from reduced paperwork and administrative streamlining. Fewer states had used the programmatic flexibility available through PPGs to fund important cross-cutting projects or to shift resources among programs in accord with the state's priorities. Through this initiative, EPA hopes to encourage greater state use of PPG authorities.

With the increased emphasis on joint strategic planning in recent years, EPA and states are now better positioned to direct resources where they are needed most. There is also greater experience in using multi-media and other alternative approaches to reaching environmental goals. This experience set the stage for a fresh look at PPGs and how they can be better used to support state environmental protection efforts. EPA committed to work with interested states to address real or perceived barriers that are within EPA's purview; promptly elevate and carefully consider policy issues, and wherever possible, resolve them in favor of providing flexibility; test ways to accommodate multi-media projects and alternative priorities and approaches in accountability and management systems; and create "safe havens" as needed to test new approaches.

¹¹ A direct link to the *Guide* can be found in the Highlights box on the NEPPS home page at <http://www.epa.gov/ocir/nepps/>.

¹² More examples of how states have used PPGs can be found at http://www.epa.gov/ocir/nepps/speeches_publications.htm.

Four states are participating in the initiative. Virginia is planning a multi-media, risk-based strategy for compliance inspections to make more effective use of resources and to incorporate the State Review Framework. South Carolina added to the number of grants in its PPG and entered into a multi-year agreement that will reduce administrative requirements and provide greater opportunities to focus resources on priority needs. Minnesota added more eligible grants to their PPG and is exploring potential cross-cutting projects. Nebraska added another grant to its PPG that will help assure timely and continuous funding, even if funding for an individual program is delayed for some reason.

The Office of Congressional and Intergovernmental Relations (OCIR) is leading the effort for EPA, guided by the P&P Workgroup. The PPGs developed as part of the initiative were implemented in FY 2008 and will be monitored on an ongoing basis. Lessons learned from the initiative will be used to inform policy decisions and to develop practical "how-to" information on how states and regions can use PPG features to help them address priority needs.

Objective 3: Advance partnership principles through effective collaboration with states on policy and implementation issues.

Strategies:

- Raise and resolve broad policy and implementation issues related to performance partnerships through appropriate mechanisms, elevating issues to the Deputy Administrator for resolution if necessary.
- Advance relationships based on the NEPPS principles through joint state-EPA work groups, the Environmental Council of the States, and other state organizations.

Policy Development

Developing needed policies and identifying and resolving issues has been an ongoing part of building the performance partnership system.

- ***Collaboration with States***

From the outset, EPA has employed a collaborative approach with states to develop and refine policies and procedures needed to implement performance partnerships. States are engaged through a variety of joint committees, work groups, and task forces addressing matters associated with performance partnerships. For example, state representatives were members of the revised Part 35 regulation work group that developed the rules governing all state grants, including PPGs. The P&P Workgroup provides ongoing leadership for performance partnerships, focusing on issues such as reporting burden, the state role in strategic planning, increasing the value of PPAs and PPGs, and further developing NEPPS.

Collaboration with states is not limited to implementation of performance partnerships. Perhaps the most important change that has occurred over the past decades is that states are now more actively engaged with EPA -- from setting goals and priorities to developing regulations and guidance to drafting performance measures to designing data exchange systems. While there are many opportunities for increased collaboration, the dynamic of the EPA-state relationship has shifted and is now more balanced than ever before.

- ***Policy Challenges***

Most of the basic building blocks for performance partnerships are now in place, but many policy challenges remain. In various evaluations and reviews of performance partnerships, several themes have emerged which suggest areas where additional policy solutions are needed.

Some remaining issues stem from the inherent tensions involved in providing greater flexibility while also ensuring accountability. Further, EPA's accountability and management systems are primarily organized by environmental media and grant program, and do not readily accommodate multi-media or alternative approaches to achieving environmental objectives. Recent Office of Management and Budget requirements for consistent reporting on state grants and application of the Program Assessment Rating Tool (PART) have reinforced the media-specific orientation.

One objective of performance partnerships is to help focus resources where they are needed most, allowing states to shift funds among programs to address priority problems. In practice, there have been few such shifts. In addition to the media-specific orientation described earlier, there are several other reasons why this flexibility has been rarely used. Media program managers may not see the same need for funding flexibility as do agency senior managers, and they are reluctant to entertain shifts because funding is barely adequate to cover base program requirements. Regions and states perceive limited room for negotiation on national program manager (NPM) guidance, implementation strategies, and performance targets. Many believe EPA has not been consistent in its response to state requests for resource shifts and it is unclear what factors EPA considers in making these decisions.

Leadership Mechanisms for Performance Partnerships

The **Office of Congressional and Intergovernmental Relations (OCIR)** is the lead office for performance partnerships. As lead office, OCIR is responsible for advancing state-EPA partnerships and facilitating the resolution of policy and implementation issues associated with performance partnerships. To carry out this responsibility, OCIR works with all EPA program and regional offices, and elevates issues to the Deputy Administrator as needed.

The **ECOS-EPA Partnership and Performance Workgroup (P&P Workgroup)**,

comprised of EPA senior managers and state leaders drawn from the ECOS membership, is the principal mechanism through which EPA and states work together to advance performance partnerships and results-based management overall.

The **NEPPS Coordinators Work Group** is a network of regional staff who have a significant role in the implementation of NEPPS in the EPA regions. NEPPS coordinators are the regions' experts on policies, procedures, issues, and other matters pertaining to EPA-state partnerships and implementation of NEPPS, and they support the regions' efforts to establish PPAs and PPGs with state partners. They participate in development of policies and guidance related to implementing NEPPS principles and tools at the national level, including participation in work groups and monthly coordinators' calls.

Objective 4: Focus state reporting on information needed to set goals and objectives, measure progress in achieving them, and ensure accountability.

Strategies:

- Adopt and communicate changes to reporting requirements that states identified as burdensome and of limited value, ensure the adopted changes are implemented broadly, and continue to work on identified areas where senior leadership is needed.
- Strengthen accountability for meeting performance goals through more standardized approaches to measures and grant work plans in accord with guidance from the Office of Management and Budget.
- Continue improving performance measures for planning, managing, and measuring the success of environmental programs.

To set the stage for effective strategic planning, EPA and states need performance measures that can be used to assess progress in improving environmental and human health conditions and how well protection efforts are working.

Traditionally, EPA and states have relied primarily on output (or activity) measures to assess environmental programs. Activity measures - such as counting the number of permits issued or inspections conducted -- are important for showing progress in implementing environmental programs. However, such measures do not show the results of these actions. Outcome measures are needed to show changes in environmental conditions and to indicate where protection efforts are working and where additional attention is needed.

Environmental professionals have been working to improve environmental indicators and performance measures for many years. With the advent of performance partnerships -- as NEPPS National Guidance FY 2008-2011, Feb. 2008

well as new laws and policies requiring government agencies to assess the results of their programs -- EPA and states are focusing even more attention on measures development.

Because unnecessary state reporting diverts resources from other important protection tasks, EPA and states are also trying to reduce state reporting that is of limited value. In FY 2007, EPA and states launched an effort to identify state reports that could be reduced or eliminated; work to implement the state proposals for reporting changes is continuing. The growing National Environmental Data Exchange Network, which enables EPA and states to exchange data electronically, is also helping to reduce the costs of state reporting.

State Reporting Burden Reduction Initiative

In an effort to address long-standing state concerns over escalating reporting requirements while funding for core state programs continues to shrink, EPA launched the *State Reporting Burden Reduction Initiative* in October 2006. The states were asked to identify for potential streamlining or elimination their top five burdensome, low-value reporting requirements that were imposed by EPA. Thirty-eight states submitted 239 specific recommendations (cutting across all EPA programs) for reducing reporting burden. States suggested changes in reporting frequency, noted regional differences in reporting requirements, and recommended more electronic data submission.

In September 2007, the Deputy Administrator committed the Agency to adopting changes that would implement almost 60 percent of the state recommendations by the end of FY 2008. (Some changes had already been adopted.) EPA's evaluation of the remaining recommendations continues. EPA senior leaders will discuss and determine what action to take on unresolved state recommendations, including consideration of reporting changes involving statutory or regulatory changes and/or program management issues.

A key activity in FY 2008 and FY 2009 is ensuring that the adopted reporting changes have been communicated and are being applied broadly and consistently across all states and regions. EPA will also continue tracking and verifying progress in implementing the recommended changes and begin quantifying the amount of burden that is reduced. OCIR oversees this Agency-wide reporting burden initiative. Official memoranda and other background materials as well as summaries of all state recommendations and the status of their implementation can be found at: www.epa.gov/ocir/nepps/burden.htm.

State Grant Performance Measures Template

EPA grant regulations in 40 CFR Part 35 require that state grant work plans include a set of standard components, with corresponding budgets, work years, and measures (outputs and outcomes). To advance efforts to demonstrate grant results, EPA National Program Managers (NPMs) and regional offices, in cooperation with states and tribes, will develop options for core work plan components and measures as the basis for developing work plans and negotiating grant agreements.

In FY 2007 and FY 2008 President's Budgets, the Office of Management and Budget directed EPA to develop a standardized state grant template. The template should link to EPA's *Strategic Plan*, provide consistent requirements for regular performance reporting, and allow for meaningful comparison of a state's past and planned activities. As a first step in addressing this requirement in FY 2007, EPA and states developed a state grant measures template to establish a consistent approach and a common set of measures for presenting results in grant work plans. EPA and the states have learned many lessons in working through FY 2007 implementation issues and continued the FY 2007 approach in FY 2008.

However, EPA and the states are considering possible changes for FY 2009, which may include consideration of options to standardize state grant work plans. At this early stage, EPA has not determined to what extent existing reporting requirements and the state grant measures template can be replaced by or incorporated into a standardized state grant workplan. However, the Agency remains committed to working cooperatively with the states as these decisions are made, and avoiding duplicative requirements. EPA and the states are currently discussing the scope and timing of changes to be implemented in FY 2009 and future years. This review is occurring as part of EPA's FY 2009 Measures Review, Improvement and Streamlining effort.

EPA, in consultation with the P&P Workgroup, is reviewing the FY 2008 state grant template measures. This review is the starting point for developing a common set of FY 2009 measures to be included in specified grant work plans. Of particular importance to the states is the extent to which the measures: 1) are representative of the work performed and capture the results being achieved by the states; 2) are workload neutral (that is, pose no new reporting burden), and 3) the number of measures are commensurate with the size of the program and level of grant funding provided. As part of this review, EPA and states may also consider adjusting relevant existing Annual Commitment System measures or other measures to better represent performance results. EPA and states may also exercise their discretion to include additional measures in individual state grant work plans to supplement the common set of ACS state grant measures. Draft FY 2009 NPM guidance documents issued in February 2008 will identify the subset of measures being proposed as FY 2009 state grant performance measures.

Objective 5: Implement policies, procedures, and requirements for state grants that accommodate state needs for flexibility and minimum administrative burden while ensuring fiscal and programmatic accountability.

Strategies:

- Continue implementing requirements for state grants, including Performance Partnership Grants, under Part 35.
- Make the policy, administrative, and procedural changes needed to ensure that state grants are awarded in a timely manner.

Basic Part 35 and Performance Partnership Grant Requirements

In 2007, the Office of Congressional and Intergovernmental Relations (OCIR) published an on-line *Best Practices Guide for Performance Partnership Grants*¹³. This reference tool explains the purpose and features of PPGs and how PPGs can help in achieving agreed-upon environmental and program goals and objectives. In addition, the *Guide* contains plain language explanations of key regulations, policies, and procedures for developing and managing PPGs.

The *Guide*, which is also linked directly to the source documents, should be considered basic guidance for implementing PPGs. Among the topics addressed are grant work plan requirements, eligible activities under PPGs, composite match for PPGs, competitive grants in PPGs, grant evaluation requirements, and the EPA Order on Environmental Results.

Timeliness of State Grant Awards

Delays in awarding PPGs (and other state grants) create a variety of problems that affect the states' ability to implement programs. A state-EPA work group examining the issue characterized the problem as two-fold: delays in making initial awards, and delays in awarding all program grant funds after EPA receives its appropriations.

In September 2007, EPA's Deputy Administrator committed EPA to a metric for distribution of funds in continuing resolution (CR) years. In FY 2009, EPA and the states will continue to focus efforts on revising EPA's policy on timeliness of awards, including non-CR years, to reflect statutory and policy changes, and developing performance measures and reports on the timeliness of state grant awards. EPA will also continue the development of a "Best Practices" guide for project officers, to inform them of all tools and strategies available for expediting the award of state grants.

Objective 6: Set the future direction for performance partnerships.

Strategy

- Collaborate with states to set future directions for performance partnerships based on progress made during the first decade and consideration of changing conditions.
- Continue exploring web-based data systems and technologies that gain efficiencies in the joint planning process.

Future Strategy for Performance Partnerships

¹³ A direct link to the *Guide* can be found in the Highlights box on the NEPPS home page at <http://www.epa.gov/ocir/nepps/>.

The basic infrastructure for performance partnerships is now largely in place. EPA's revamped joint planning processes actively engage states in setting goals and priorities as well as annual performance commitments. States now have a range of flexibility under Part 35 grant rules, and especially with PPGs, to direct grant resources to their own priorities. We have improved performance measures and indicators that focus on results, and better, more integrated data systems make reporting and analysis easier. Perhaps the most fundamental change is cultural. EPA involves states in a broad array of efforts--from planning to regulation development to policy development. Opportunities to improve responsiveness to state input and more meaningful state involvement remain challenges.

While we have made considerable progress in many areas, impediments to performance partnerships remain to be addressed. Indeed, recent trends present new challenges. The pressure for more consistent performance measurement and greater fiscal accountability could inhibit the flexibility we have been working to provide. OMB's performance reviews have highlighted the difficulties involved in demonstrating program results and cost-effectiveness of environmental programs. Shrinking budgets are putting additional strains on core environmental programs.

With a decade of experience as backdrop, it is time to build on the progress we have made and adapt to changing circumstances. An updated strategy will set a direction for the future of performance partnerships that will extend the opportunities and benefits of performance partnerships more broadly.

Some preliminary analysis was conducted in FY 2007 that will help set the stage for EPA's collaboration with states in FY 2008 on an updated strategy. Further, the Maximizing PPG initiative will help to test ways to resolve some of the challenging issues that remain; the experience gained from the initiative will help inform the updated strategy.

Building and implementing performance partnerships affects virtually every EPA and state environmental program. For that reason, development of a strategy for the future will be undertaken as a collaborative effort involving EPA and state officials at both the senior management and program levels.

Grant Programs Eligible for Performance Partnership Grants

Grant Program	Required Match
Air Pollution Control – CAA 105	40% **
Radon Assessment and Mitigation –TSCA 306	50%
Water Pollution Control – CWA 106	0% **
Water Nonpoint Source Implementation -- – CWA 319	40% **
Wetlands Development Grants Program – CWA 104(b)3 (competitive)	25%
Water Quality Cooperative Agreements – CWA 104(b)3 (competitive)	0%
Public Water System Supervision --SDWA 1443(a)	25%
Underground Injection Control – SDWA 1443(b)	25%
Hazardous Waste Management – SWDA 3011(a)	25%
Brownfields Response – CERCLA 128(a)*	0%
Pesticides Program Implementation – FIFRA 23(a)1	0%
Lead-Based Paint Activities – TSCA 404(g)	0%
Toxic Substances Compliance Monitoring – TSCA	25%
Pesticides Cooperative Enforcement – FIFRA 23(a)1	0%
Environmental Information Exchange Network* – Authority in EPA Appropriations Acts	0%
Pollution Prevention Initiatives – PPA 6605 (competitive)	50%
Sector Program (compliance/enforcement)* (competitive)	0%

* Program added to list of grants eligible for PPGs after publication of the Part 35 rule.

** State must also meet Maintenance of Effort requirements.

(Note: In FY 2008, the Underground Storage Tank grant is not funded under STAG; making it ineligible for inclusion in PPGs.)